

Selvita

Menarini Group in-licensed SEL24

Today Selvita announced that it has out-licensed its lead asset SEL24 (dual PIM/FLT3 kinase inhibitor) to Menarini Group making it the first deal for a proprietary clinical-stage asset. Selvita will be responsible for the continuation of the current Phase I/II trial for acute myeloid leukaemia (AML) with the first patient enrolled earlier this month until the estimated takeover of the trial by Menarini at end-2017. Furthermore, both companies will collaborate on additional preclinical research on PIM/FLT3 targets. The upfront payment is €4.8m, with Selvita eligible for a total of €89.1m in potential milestone payments, and non-specified single to low-double digit royalties and cost sharing.

Year end	Revenue (PLNm)	PBT* (PLNm)	EPS* (PLN)	DPS (PLN)	P/E (x)	Yield (%)
12/14	41.6	5.4	0.56	0.0	N/A	N/A
12/15	56.1	7.5	0.84	0.0	N/A	N/A
12/16e	67.6	3.7	0.28	0.0	N/A	N/A
12/17e	76.9	3.3	0.24	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

We have already included a licensing deal in our model assuming \$15m (€14m) in upfront, \$70m (€64m) in R&D milestone payments and a 5% royalty. While the upfront payment is slightly lower than our estimate, milestone payments compare well (although Selvita did not specify the split of R&D versus commercial milestones). Moreover, negotiated single to low-double digit royalties appear to be higher than our 5% estimate, so overall we view the deal terms as favourable and broadly in line with our expectations. Selvita will report its FY16 results on 19 April. We will update our operational forecasts, deal terms and valuation following the results.

As we discussed in our [previous report](#), standalone FLT3 inhibitors gathered interest in blood malignancies, after a seven-year Phase III study with midostaurin from Novartis showed survival benefit and a 23% reduction in risk of death for AML patients. The FDA granted breakthrough therapy designation and a priority review in November 2016 to midostaurin's NDA application. In our view, SEL24 is differentiated from competitors given its dual mechanism of action.

Out-licensing deal

Pharma & biotech

28 March 2017

Price **PLN45.3**
Market cap **PLN607m**

Estimated net cash (PLNm) at 31 December 2016	26.1
Shares in issue	13.4m
Free float	45%
Code	SLV
Primary exchange	WSE
Secondary exchange	N/A

Share price performance



Business description

Selvita is a drug discovery services provider based in Poland. It employs c 380 staff (34% with PhDs) and operates two main business units: the Innovations Platform (internal NME pipeline) and Research Services (medicinal chemistry/biology, biochemistry).

Analysts

Jonas Peculis	+44 (0)20 3077 5728
Lala Gregorek	+44 (0)20 3681 2527

healthcare@edisongroup.com

[Edison profile page](#)

**Selvita is a research client of
 Edison Investment Research
 Limited**

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2017 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Selvita and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2017. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE data is permitted without FTSE's express written consent.